

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

MA & UD Department – Third State Finance Commission – Finalization of the Recommendations of the Third State Finance Commission – Orders – Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (BUDGET.2) DEPARTMENT

G.O.Ms.No. 512

Dated:31.12.2013.

Read the following:-

1. G.O.Ms.No.13, PR&RD (Mdl.I) Deptt. Dt. 16.01.2003.
2. GO.Ms.No.390, PR&RD (Mdl.I) Deptt. Dt.23.12.2004.
3. G.O.Rt.No.379, PR & RD (Mdl.I) Deptt. Dated 10.03.2008.
4. G.O.Rt.No.515, PR & RD (Mdl.I) Deptt. Dated 06.04.2011.

ORDER:

In consonance with the Constitutional provisions of the 73rd Amendment Act, 1992, and as per Section 235 of A.P. Panchayat Raj Act, 1994, the Governor of A.P. have constituted the Third State Finance Commission on 16.01.2003 to apportion Revenue, Assignment of Taxes and to suggest to grants-in-aid to the local self Government units vide reference 1st read above. Though, the Commission was constituted during the year 2003, then reconstituted in 2004, they submitted the report very belatedly during the year 2008 consisting of 63 recommendations pertaining to the period from 2005 to 2010 co-terminus with 12th Finance Commission of Government of India. Subsequently, the Government of India have appointed two Finance Commissions i.e. 13th Finance Commission which is meant for the period 2010-15 whose recommendations are presently under implementation and 14th Finance Commission which is busy transacting business and likely to submit their report by the end 2014.

2. The Third State Finance Commission has submitted its report with 63 recommendations out of which 44 recommendations pertain to Rural Local Bodies and 19 recommendations pertain to Urban Local Bodies and 3 recommendation pertain to both Rural and Urban Local Bodies involving grant of 1274.34 crores and Rs.489.38 crores respectively. On receipt of the report of the TSFC, Govt. had constituted the committee of Ministers and Secretaries to examine the report of the TSFC and suggest to Government on various steps to be taken on the recommendations of the Commission vide G.O.Rt.No.379, PR&RD(Mdl.I) Department dated.10.3.2008. The said committee has discussed the recommendations of the TSFC and considered the non-financial recommendations in principle.

3. As the financial recommendations and the quantum of the amount to be devolved to the Urban Local Bodies Institutions were not decided, Government have reconstituted the committee of Ministers & Secretaries to suggest various steps to be taken on the financial recommendations of the Third State Finance Commission. The above said Committee have met on 7.6.2013 and after detailed discussions has decided to accept most of the recommendations of the Third State Finance Commission. As per the decision taken by the Committee of Ministers and Secretaries, the three member committee deliberated on the report and submitted detailed action plan as per the recommendations of the Committee of Ministers and Secretaries, which may be accepted and implemented.

4. The total devolution of funds recommended by the Third State Finance Commission is to the tune of Rs.1274.34 crores for PRIs and Rs.489.38 crores for urban local bodies for the period 2005-2010. The period from 2010-2015 is covered by the recommendations of XIII Finance Commission, but unfortunately there is no parallel State Finance Commission appointed for this period as yet. Even if a Commission is appointed now, it would not be possible for them to give their report before the end of year 2014. Hence, the committee of Ministers and Secretaries felt that the recommendations of Third State Finance Commission could be applied for the period from 2010-15 also. Further, post XIII Finance Commission Report the total devolution to the local bodies amounting to Rs.1597.04 crores for Panchayat Raj Institutions and Rs.515.24 crores for urban local bodies is exceeding the amount recommended by the Third State Finance Commission. Thus it is held that the constitutional and legal requirement of devolution is fulfilled.

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5. Under these circumstances, the recommendations of Third State Finance Commission proposed by the Committee of Ministers and Secretaries have been placed before the Council of Ministers on 03.12.2013 for its approval before placing the same before the State Legislature. The Council of Ministers have accepted the recommendations as detailed in Annexure-I & II. Government hereby decide to accept the recommendations of the Third State Finance Commission, both Financial and Non- Financial as annexed to this order.

6. The Heads of Departments noted in the address entry are requested to take necessary action to implement these recommendations.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

**Dr S.K. JOSHI
PRINCIPAL SECRETARY TO GOVERNMENT**

To,
All the HoDs of MA & UD Deptt.
All the Sections in MA&UD Deptt
All the District Collectors in the State.
The G.A.(Cabinet) Department
The Director, Local Fund Audit, Hyderabad.
All Audit Officers in the State.
The Accountant General, Andhra Pradesh, Hyderabad.
The Finance and Planning (Exp M&F) Department,
Copy to :
P.S. to Minister (MA & UD)
P.S. to Chief Secretary
P.S. to Principal Secretary (MA)
P.S. to Principal Secretary (PR)
SF/SC.

//FORWARDED BY ORDER//

SECTION OFFICER

ANNEXURE – I

LIST OF FINANCIAL RECOMMENDATIONS OF THE THIRD STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

Sl.No.	Recommendation No.	Recommendation	Decision of the Government
1.	16	The Per Capita grant of the Municipalities and Municipal Corporations may be enhanced from Rs.8/- to Rs.12/- from the year 2005-06. The additional commitment of Rs.8.32 crores per annum in this regard may be released to urban bodies.	With the staff salaries of Municipal employees and teachers being paid by Government w.e.f. 2009 in lieu of Statutory and non-statutory grants, the recommendation is not accepted
2	22	An amount of Rs.11.92 crores per annum may be released from excise income to urban bodies.	Not accepted.
3.	23	Orders may be issued on the recommendation accepted by Government for the release of Rs.98.72 crores per annum accounting to 10 percent of the income realized towards motor vehicle tax to Urban Local Bodies immediately.	Not accepted since tax on motor Vehicles is not assigned to ULBs. Therefore the Question of Compensation does not arise.
4.	26	The income of the Market Committees for the year 2004-05 was Rs.203.58 crores and the commitment at five percent in this regard is Rs.10.20 crores per annum. It may be released to Local Bodies on population basis at Rs.7.40 crores to rural bodies and Rs.2.80 crores to urban bodies	To be examined in consultation with Marketing Department
5.	37	Rs.123.12 crores may be provided in the budget towards payment of arrears upto 31-03-2007 of Property Tax and Water Charges on Government Properties to Urban Local Bodies	Accepted to pay the arrears from 2010-11 onwards
6.	40	Government may consider the acceptance of the proposal for the release of Rs.17.50 crores towards increase on half yearly D.A. and revision of scales of pay to Municipal Staff.	In view of payment of salaries to Municipal Employees from 1-04-2009 by the Government the recommendation is no more relevant now.
7.	41	Rs.20 crores per annum may be released to the Municipalities towards Pension grants.	In view of payment of salaries and pensions to Municipal Employees from 1-04-2009 by the Government the recommendation is no more relevant now.

8.	42	Rs.92 lakhs per annum recommended by the Second State Finance Commission and accepted by Government may be released to 15 Municipalities in Andhra Area towards salaries of Medical Officers and Staff and for medicines.	In view of payment of salaries to Municipal Employees from 1-04-2009 by the Government the recommendation is no more relevant now.
9.	60	An amount of Rs.6.08 crores per annum may be released to the Municipalities for the maintenance of Municipal Buildings	Not accepted since norms adopted by Third SFC for arriving at the figures is not acceptable.
10.	61	An amount of Rs.200 crores per annum may be provided and released to the Municipalities for civic amenities	Not agreed to since data collected by SFC is only from 23 ULBs. Further there are Central Schemes such as JNNURM which are being implemented in Mission Cities as well as small and medium towns.

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ANNEXURE – II

LIST OF NON-FINANCIAL RECOMMENDATIONS OF THE THIRD STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

Sl.No.	Recommendation No.	Recommendation	Decision of the Government
1.	21.	The Government may revert back to the procedure of adjustment of Profession Tax to both the Rural and Urban Local Bodies which existed prior to the issue of orders in G.O.Ms.No.317 Fin.(Exp.PR&RD Department dated 29-06-2001.	To be considered after detailed examination.
2.	24	Orders may be issued to the Regional Transport Authorities to adjust Motor Vehicle Tax Compensation direct to the Municipal Bodies.	Not Accepted.
3.	27.	The exemptions granted to the educational institutions from payment of House Tax may be withdrawn and permit the Urban and Rural Local Bodies to levy House Tax on all such educational institutions.	Accepted, however reimbursement to be given to local Bodies as and when any exemptions are granted by Government.
4.	28	The State Government may address the Government of India to issue necessary instructions to the Guntakal Railway authorities to continue to pay the service charges and arrear charges from the year 1982-83 onwards	Accepted.
5.	29	The State Government may request the Government of India to give necessary statutory orders covering the executive instructions issued by the Ministry of Finance and the Ministry of Urban Development for payment of Property Tax and the Service Charges to Local Bodies in the State in respect of Central Government properties.	Accepted.
6.	31.	The Government may permit the Municipal Bodies to advertise the construction of commercial complexes and construct them by taking advance money from the lessee.	Accepted as it is already fulfilled.
7.	32.	A provision similar to that of West Bengal Municipal Act, 1993 may be incorporated in the A.P. Municipal Act, 1965, to realize the amount due towards the Property Tax or any other tax under the Act, from the owner of any land or premises, whose whereabouts are not known.	Accepted as it is already fulfilled.

8.	33.	The Government may reconsider the amendments issued to the A.P. Municipalities (Assessment of Tax) Rules incorporating Rules 16 and 17 and take action to delete them.	Accepted.
9.	38	A separate Budget Head may be opened for the 13 Municipal Corporations to provide amounts towards payment of the Property Tax and Water Charges annually on Government Buildings.	Accepted.
10.	39	Instructions may be issued on the procedure for the adjustment of the cable tax to the Urban and Rural Local Bodies.	Accepted.
11.	43.	The Commission recommends to accept the request for charging the rates existing prior to the upgradation of Gram Panchayats, after their conversion to Nagar Panchayats as III Grade Municipalities for a period of (2) years or in the alternative to consider exemption from payment of current consumption charges to such upgraded bodies also upto 400 units for street lighting and also to meet entire current consumption charges for protected water supply.	Not Accepted.
12.	45.	A comprehensive drainage network may be taken up in 20 or 25 select Municipalities by entrusting the work to an expert committee.	Not Accepted.

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